

**LAZARD ACTIONS EURO,
French open-end investment
fund (Fonds Commun de
Placement - FCP)**

ANNUAL REPORT

at September 28th, 2018

Management company: Lazard Frères Gestion SAS

Custodian: Lazard Frères Banque

Statutory auditor: Deloitte & Associés

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1. CHARACTERISTICS OF THE UCI

- **LEGAL FORM**

French open-end investment fund (*Fonds Commun de Placement*).

- **CLASSIFICATION**

Eurozone country equities.

- **ALLOCATION OF DISTRIBUTABLE INCOME**

Distributable income consists of:

- 1) net income plus retained earnings, plus or minus the balance of the revenue adjustment account.
Net income for the financial year is equal to the amount of interest, arrears, dividends, bonuses and prizes, directors' fees and all income generated by the securities that make up the Fund's portfolio, plus income generated by temporary cash holdings, minus management fees and borrowing costs.
- 2) realised capital gains, net of charges, minus realised capital losses, net of charges, recognised for the financial year, plus any net capital gains of the same kind recognised over previous years that have not been distributed or accumulated, plus or minus the balance of the capital gains adjustment account.

The amounts referred to in 1) and 2) may be accumulated and/or distributed and/or retained independently of each other, in whole or in part.

For IC and S units: All distributable income shall be fully accumulated, with the exception of those amounts subject to compulsory distribution by law.

For R and T units: The management company decides each year on the allocation of distributable income. It may pay interim dividends.

For ID units: Net income is distributed in full and the allocation of net realised capital gains is decided each year by the management company. Distributable income is equal to net income as defined above plus or minus the balance of the revenue adjustment account for ID units for the past financial year and retained earnings.

- **INVESTMENT OBJECTIVE**

While the Fund is not index-based, it seeks to outperform the benchmark, net of expenses, over the recommended investment period.

- **BENCHMARK**

The benchmark is the Euro Stoxx (net dividends reinvested) based on closing prices. It is representative of leading Eurozone large caps.

Performance history is available on the website www.stoxx.com (code: SXXT Index).

- **INVESTMENT STRATEGY**

1. Strategies used

A company's rate of return on invested capital above the cost of capital reflects its economic performance, as shown in its long-term stock market performance. Accordingly, the strategy applied within the Fund is based on the following:

- Identifying companies with the best economic performance profiles.
- Verifying that performance through financial analysis and examination of underlying strategies.

- Selecting stocks from such companies according to the market's undervaluation of that performance at a given time.
 - Building a portfolio within the Eurozone but with no other geographical or sectoral restrictions.
- The focus on achieving the optimum ratio between the company's economic performance and valuation may result in wide divergences between the Fund's performance and its sector and/or country mix and those of the underlying asset class, i.e. large caps from the Eurozone.

2. Equity assets (excluding embedded derivatives):

Eurozone-listed or domiciled large cap companies to a minimum of 90% of net assets.

Debt securities and money market instruments:

French and foreign negotiable debt securities (mainly French treasury bills and BTAN medium-term treasury notes) to a maximum of 10% of net assets.

UCIs:

French UCITS or French AIFs to a maximum of 10% of the net assets.

Investment is solely in UCIs that in turn invest less than 10% of their assets in other UCIs.

These UCIs may be managed by the management company.

3. Derivatives

- Types of markets:

- regulated
- organised
- OTC

- The manager intends to seek exposure to:

- equities
- interest rates
- foreign exchange
- credit
- other

- Types of transactions – all transactions must be limited to achieving the investment objective:

- hedging
- exposure
- arbitrage

- Types of instruments used:

- futures:
 - equity and equity index
 - interest rate
 - currency
- options:
 - equity and equity index
 - interest rate
 - currency
- swaps:
 - equity swaps
 - interest rate swaps
 - currency swaps
- currency forwards
- credit derivatives: currency hedging
 - credit default swaps: issuer default risk hedging

- Derivatives strategy to achieve the investment objective:
 - partial or general portfolio hedging
 - creating synthetic exposure to assets and risks
 - increasing exposure to the market without leverage
 - maximum permitted and sought
 - other strategy

4. Securities with embedded derivatives

None.

5. Deposits:

Up to 10% of the Fund's assets may be held in deposits.

6. Cash borrowings:

The Fund may borrow cash within the limit of 10% of its assets to meet specific cash requirements related to its operating needs.

7. Temporary purchases and sales of securities:

None.

8. Information on financial guarantees:

In connection with over-the-counter derivative transactions, and in accordance with Position paper 2013-06 issued by the French financial markets regulator (*Autorité des Marchés Financiers* – AMF), the Fund may receive collateral in the form of securities (such as bonds or other securities issued or guaranteed by a State or issued by international financing agencies and bonds or securities issued by high quality corporate issuers), or cash.

Any cash collateral received is reinvested in accordance with the applicable rules.

All such assets must be from high-quality issuers that are not an entity of the counterparty or its group, and must be liquid and diversified with low volatility.

Discounts may be applied to the collateral received; they take into account the quality of credit and the price volatility of the securities.

• RISK PROFILE

Your money will be mainly invested in financial instruments selected by the management company. These instruments will be exposed to market trends and fluctuations.

The risks associated with the SICAV are interest rate risk, credit risk, equity risk, foreign exchange risk and changes in the volatility of options.

Risk of capital loss:

The Fund does not provide any guarantees or capital protection. It is therefore possible that you may not recover the full amount of your initial investment.

Equity risk:

Investors are exposed to equity risk. Fluctuations in share prices may have a negative impact on the Fund's net asset value. The net asset value may decrease during periods in which equity markets are falling.

In addition, the volume of small- and mid-cap stocks listed on the stock exchange is relatively small and downward market movements tend to be more pronounced and faster than for large caps. The Fund's NAV may therefore decline rapidly and significantly.

Counterparty risk:

This is the risk associated with the Fund's use of OTC forward financial instruments.

These transactions, entered into with one or more eligible counterparties, potentially expose the Fund to a risk of failure of any such counterparty, which may lead to default in payment and cause the Fund's NAV to fall.

Interest rate risk:

There is a risk of a fall in the value of bonds and other fixed-income securities and instruments, and hence in the portfolio, resulting from a change in interest rates. Because of its sensitivity range, the value of this component of the portfolio may decrease, either in the case of a rise in interest rates if the portfolio's sensitivity is positive, or in the case of a fall in interest rates if the portfolio's sensitivity is negative.

• GUARANTEE OR PROTECTION

None.

• ELIGIBLE SUBSCRIBERS AND TYPICAL INVESTOR PROFILE

Any subscriber seeking exposure to equity risk. Subscribers are strongly advised to diversify their investments sufficiently to avoid exposure solely to the risks of this Fund.

Information on US investors:

The Fund is not registered as an investment vehicle in the United States and its units are not and will not be registered under the Securities Act of 1933 and, therefore, they may not be offered or sold in the United States to Restricted Persons, as defined hereafter.

A Restricted Person is (i) any person or entity located in the United States (including US residents), (ii) any corporation or any other entity subject to the laws of the United States or any state thereof, (iii) any US military personnel or any employee of a US government department or agency located outside the United States, or

(iv) any other person that would be considered a US person under Regulation S of the Securities Act of 1933, as amended.

FATCA:

Pursuant to the provisions of the Foreign Account Tax Compliance Act ("FATCA") applicable as of July 1st, 2014, if the Fund invests directly or indirectly in US assets, the capital and income arising from such investments may be subject to withholding tax of 30%.

To avoid paying the 30% withholding tax, France and the United States have entered into an intergovernmental agreement under which non-US financial institutions ("foreign financial institutions") agree to institute procedures for identifying direct or indirect investors who qualify as US taxpayers and to provide certain information about these investors to the French tax authorities, which will disclose said information to the US tax authority, the Internal Revenue Service.

As a foreign financial institution, the Fund undertakes to comply with the FATCA and to take all appropriate measures pursuant to the aforementioned intergovernmental agreement.

Recommended investment period: minimum five years.

2. CHANGES AFFECTING THE UCI

CHANGES WHICH TOOK PLACE DURING THE PERIOD AND WHICH ARE STILL TO TAKE PLACE

The Chairman of the management company Lazard Frères Gestion SAS made the following decision in relation to **LAZARD ACTIONS EURO** (ISIN code: FR0010259945): the creation of new “S” units.

➤ **Effective date: January 2nd, 2018**

The Chairman of the management company Lazard Frères Gestion SAS made the following decisions in relation to **LAZARD ACTIONS EURO** (ISIN code: FR0010259945):

- 1) the creation of “T” clean shares.
- 2) the reclassification of “A” units as “IC” units,
- 3) the reclassification of “D” units as “ID” units.

➤ **Effective date: January 31st, 2018**

3. MANAGEMENT REPORT

PERFORMANCE

The UCI's performance over the period is as follows:

S units: -3,59%. IC units: -3,74%. T units: -5,96%.

ID units: -3,74% (dividends reinvested). R units: -4,36%.

Performances vary over time and past performance is no guarantee of the UCI's future results.

The benchmark over the period was: -0,43%

ECONOMIC ENVIRONMENT

Introduction

The global economic recovery continued, thanks in part to the acceleration of the US economy. While remaining solid overall, the business climate in each of the main regions seems to have peaked in early 2018, with the exception of the US, resulting in less synchronised growth at international level. The growth outlook is good but the downside risks have intensified in recent months. These include political risks, notably in the Eurozone with the arrival in power of populist parties in Italy, international trade risks and more concrete protectionist rhetoric from Donald Trump, emerging country risks due to fears of a more pronounced economic slowdown than expected in China and local weaknesses in certain economies. Against this backdrop, the main developed country central banks gradually tightened monetary policy, particularly given that underlying inflationary pressures remained relatively low. The Federal Reserve increased its policy rate four times and started to reduce its balance sheet. The ECB announced the end of its asset purchasing programme from the end of December 2018 and pledged to leave its interest rates unchanged until summer 2019. The Bank of Japan modified its policy of yield curve control. The synchronised global economic recovery seen in 2017 had led to very low volatility levels. But with uncertainties on the increase, volatility returned in 2018. Sentiment concerning emerging countries deteriorated in particular, giving rise to a decline in capital flows to these countries and pressure on their currencies.

GDP volume growth (%)	2016	2017	2018 (e)	2019 (e)
World	3,3	3,7	3,7	3,7
Developed countries	1,7	2,3	2,4	2,1
Emerging countries	4,4	4,7	4,7	4,7
Eurozone	1,9	2,4	2,0	1,9
United States	1,6	2,2	2,9	2,5
Japan	1,0	1,7	1,1	0,9
United Kingdom	1,8	1,7	1,4	1,5
China	6,7	6,9	6,6	6,2
India	7,1	6,7	7,3	7,4
Brazil	-3,5	1,0	1,4	2,4
Russia	-0,2	1,5	1,7	1,8

IMF Economic Outlook, October 2018

* The data and forecasts for India are presented based on the budget year

The MSCI World global equity index denominated in dollars gained 7,7% over the year. Within that, the equities of developed countries turned in a good performance (+9,2%) while emerging country equities posted a negative performance (-3,1%). Within the developed economies, the S&P 500 (+15,7% in dollars) outperformed the Topix (+8,5% in yen) and the Eurostoxx (-2,8% in euros).

After a steady increase in Q4 2017 and an exceptional start to 2018, the global equity markets corrected sharply in February 2018, initially in response to the publication of higher-than-anticipated hourly wage data in the US. This latter increase, the strongest since mid-2009, stoked fears of a rapid rise in inflation in the US and strengthened the likelihood of an acceleration of the pace of interest rate hikes by the Fed. The market correction was subsequently amplified by technical factors linked to increased volatility.

From spring 2018, the equity markets fluctuated in line with perceptions around three major risks: a trade war, a budget overrun in Italy and a crisis in emerging countries. The deterioration of the political situation in Italy and fears around contagion of the Turkish crisis to the European banking system in August 2018 after a slide in the Turkish lira explain to a large extent why Eurozone equities underperformed.

US 10-year treasury rates tightened by 73 basis points to 3,06% at the end of September 2018. German 10-year rates remained almost stable, moving from 0,46% to 0,47%. The rise in US interest rates took place in two stages. The first between mid-December 2017 and mid-February 2018 reflected an increase in inflationary anticipations following the approval of tax reform by US Congress and the increase in energy prices. The second, between mid-August and September 2018, was more linked to the rebound in growth. In both cases, investors revised up their anticipations of monetary tightening by the Fed.

In Italy, the arrival in power of a populist government triggered a sharp increase in credit spreads versus Germany (+100bp). Credit spreads in Greece tightened by -148 basis points while in Portugal they tightened by -52 basis points. In France, they widened by a slight +5 basis points.

According to the ICE Bank of America Merrill Lynch indices, the credit spreads of good quality corporate bonds versus government bonds widened by 15 basis points to 110 basis points, while those of high yield bonds widened by 93 basis points to 355 basis points.

The Brent barrel price almost doubled, from \$47 to \$83. It was underpinned by robust global demand, geopolitical tensions in the Middle East and the policy of the main producing countries to reduce supply.

The euro depreciated by 1,8% against the dollar, from 1,18 to 1,16. This exchange rate peaked in mid-February 2018 at 1,25 before falling again on foot of the publication of disappointing economic data and uncertainties in Italy.

Sentiment concerning emerging countries deteriorated sharply, giving rise to a decline in capital flows to these countries and significant pressure on their currencies. The JP Morgan index that measures the average change in emerging currencies against the dollar fell by 10,6%.

United States

Growth in the US has been very strong in recent quarters. It jumped to an annualised rate of +4,2% in Q2 2018 after +2,2% in Q1 2018 and +2,3% in Q4 2017.

The ISM surveys remained at record high levels. The manufacturing sector index reached 59,8 in September 2018 (-0,4 of a point year-on-year) while the non-manufacturing sector index reached 61,6 (+2,2 points year-on-year), its highest level in two decades.

Job creation was strong, averaging 206 000 over the last twelve months, leading to a continued fall in the unemployment rate which reached 3,7% in September 2018, its lowest level since 1969, versus 4,2% a year earlier.

Growth in the hourly wage accelerated only very slightly from +2,6% year-on-year in September 2017 to +2,7% in September 2018. The sharp increase in January 2018, which led to tensions on the financial markets, was revised down in the end.

Household consumption grew at a steady pace after a soft patch in Q1 2018 (an annualised rate of +0,5% quarter-on-quarter). The Conference Board consumer confidence index reached its highest level since 2000 in September 2018.

The US trade deficit widened to \$53 billion in August 2018. The US administration toughened its trade policy, particularly with regard to China. It increased customs duties on \$250 billion worth of Chinese imports and threatened to extend these tariffs to all imports. China retaliated by in turn increasing its customs duties on \$110 billion worth of imports from the US.

Investment in residential property slowed but did not decline. It rose by 1,3% year-on-year in Q2 2018. Household purchasing power on the property market deteriorate due to the steady increase in property prices (+6,0% year-on-year in July) and the rise in mortgage interest rates (+80 basis points year-on-year to 4,60% for a thirty-year mortgage). Investment in non-residential property accelerated by +7,1% year-on-year in Q2 2018.

Inflation excluding energy and food increased from +1,7% year-on-year in September 2017 to +2,2% in September 2018 while headline inflation increased from +2,2% to +2,3%, after peaking at +2,9% in summer 2018.

Tax reform was ratified in December 2017, which notably entailed a reduction in corporate income tax from 35% to 21%. In February 2018, after a partial federal government shut-down between January 20th and 22nd and for a few hours on February 9th due to a lack of financing, Congress finally voted to increase the ceiling on federal expenditure for fiscal years 2018 and 2019 (\$296 billion in total).

Against this backdrop, the Fed raised its key interest rate by 25 basis points on four occasions: in December 2017, March 2018, June 2018 and September 2018, bringing it to a band of 2,00-2,25%. It began to reduce its balance sheet in October 2017 by ceasing to reinvest some of the proceeds of the matured securities in its portfolio.

Eurozone

Growth in the Eurozone marked time in the first half of 2018, coming out at an annualised rate of +1,5% in Q2 2018 versus +1,6% in Q1 2018 and +2,6% in Q4 2017. There was a marked slowdown in France, partly due to strikes in the transport sector in spring.

The composite PMI for the Eurozone reached a 12-year high in January 2018 at 58,8, but fell back sharply in the spring. It subsequently stabilised at a level consistent with growth of around 2%. It reached 54,1 in September 2018 (-2,6 points year on year).

Unemployment in the Eurozone continued to fall at a rapid pace, reaching 8,1% in August 2018, its lowest level since November 2008, versus 9,0% a year earlier. Certain wage data in the Eurozone showed an acceleration.

Inflationary pressure remained moderate. Headline inflation increased from +1,5% to +2,1% year-on-year between September 2017 and September 2018, attributable to the rise in energy prices. Excluding energy and food, inflation remained low, falling from +1,1% year-on-year to +0,9% during the period.

In Italy, the general election held on March 4th, 2018 produced no clear majority in Parliament, leading to more than two months of negotiations. The two populist parties, Luigi di Maio's Five Star Movement and Matteo Salvini's League, finally reached agreement on forming a government on May 31st, 2018. On September 27th, the Italian government announced a higher-than-anticipated budget deficit target of 2,4% of GDP in 2019.

In Germany's federal elections of September 24th, 2017, Angela Merkel's CDU/CSU alliance secured a substantial victory with 246 out of 598 seats in the Bundestag. After six months of negotiations, the social democratic party agreed to form a grand coalition, enabling Angela Merkel to be reappointed Chancellor on March 14th, 2018.

In Spain, the government announced the dissolution of the Catalan parliament on October 27th, 2017, and imposed direct rule on Catalonia, having refused to recognise the declaration of independence by the region's elected leaders. On June 1st, 2018, prime minister Mariano Rajoy was forced to step down after a motion of no confidence was passed by parliament on foot of convictions against several former members of his party for corruption. He was replaced by the socialist party leader, Pedro Sanchez, who heads up a minority government.

On October 26th, 2017, the ECB announced it would reduce its monthly asset purchases from €60 billion to €30 billion starting in January 2018. On June 14th, 2018, it announced it would again cut its monthly purchases by half until the end of December 2018, after which they would be discontinued. It specified that it would nevertheless continue to reinvest the proceeds of some maturities over an extended period. It also said it wanted to keep its key interest rates unchanged until summer 2019, if the economy continued to progress according to expectations.

Japan

Japan's GDP increased by an annualised 0,9% in Q4 2018 before contracting by 0,9% in Q1 2018, penalised by poor weather conditions. It subsequently jumped by 3,0% in Q2 2018.

Pressure on the labour market continued, with unemployment falling by 0,4 of a point year-on-year to a record low of 2,4% in August 2018. Wage growth accelerated sharply to +1,4% year-on-year in August 2018, the fastest pace seen since the end of the 1990s.

Inflation rose slightly, but remained low. In August 2018, headline inflation reached +1,3% year-on-year while inflation excluding energy and food reached +0,4% year-on-year, versus +0,7% and +0,2% respectively one year previously.

The prime minister Shinzo Abe unsurprisingly secured an easy victory in the general election called on October 22nd, 2017, with the coalition led by the liberal democratic party winning two thirds of seats in the lower house.

The Bank of Japan modified its policy of controlling the yield curve in July 2018 by broadening the range within which the Japanese 10-year government bond yield could evolve versus an unchanged target of around 0%.

China

During the annual economic conference of the members of the Communist Party of China in December 2017, the government said that financial risk reduction would remain a key priority in 2018 and over the coming years, along with measures to combat pollution and poverty.

Growth in China slowed only slightly to +6,7% year-on-year in Q2 2018 after +6,8% year-on-year in the previous two quarters, in line with the growth target of around 6,5% defined during the National People's Congress in March 2018.

However, the measures introduced to limit financial risks led to a sharp slowdown in credit, which weighed on infrastructure investment, particularly from the end of Q2 2018.

On foot of this slowdown in investment and the hike in customs duties by the US, the Chinese authorities announced monetary and budgetary measures to boost activity.

The central bank reduced the level of compulsory bank reserves by 100 basis points in April 2018 and by 50 basis points in July 2018, bringing it to 15,50%.

The past year was also marked by the consolidation of Xi Jinping's authority, symbolised by the inscription of his name and doctrine in the party's charter during the 19th National Congress of the Communist Party of China in October 2017, and the removal of the two-term limit on holding presidential office.

MANAGEMENT POLICY

Lazard Actions Euro lost -3,74% over financial year 2017-2018 versus -0,43% for the benchmark index, the Euro Stoxx with net dividends reinvested, representing an underperformance of 331bp.

2017 closed with very encouraging macroeconomic data in the US, Europe as well as China. As expected, the US Federal Reserve introduced its third quarter-point key interest rate hike of the year, bringing it to a band of 1,25-1,50%. US tax reform was finally passed, slowing the downward movement in the markets. The Fund registered a slight decline of 1,45% at the end of the fourth quarter compared with a decline of 0,69% for the benchmark index, representing an underperformance of 76bp. This decline is partly due to a substantial negative selection effect in the information technologies sector attributable to *Nokia's* profit warning (-23,4%). The portfolio was also impacted by the poor performance of the financial sector, notably the declines of *Intesa Sanpaolo* (-7,4%) which suffered from investor fears around the future of Italian banks, and *Société Générale* (-13,1%) which was penalised by the publication of disappointing results. Moreover,

since it was absent from the energy sector, the fund did not benefit from the oil rally (+16,2%), which closed at its highest level of the year, underpinned by an extension to the agreement to cut OPEC production. *Peugeot* (-15,9%) and *Saint-Gobain* (-8,8%) also had a negative impact. However, this was offset by a positive selection effect in the telecommunications sector, with an increase for *Orange* (+6,3%) and the absence of *Altice* (-48,4%). The gains by *Wirecard* (+20,2%), *Kerry Group* (+15,3%) and *Voestalpine* (+15,5%), and the absence of *Steinhoff International* (-91,6%), which plummeted following revelations of accounting irregularities over the past number of years, also had a positive impact.

Despite positive economic indicators, the equity markets fell sharply in the first quarter of 2018, putting an end to the distinctly upbeat trend seen in 2017. As expected, the Federal Reserve raised its key interest rate by 25bp, bringing it to a band of 1,50-1,75%. This rough patch is attributable to commercial tension caused by the announcement of higher customs taxes by the US on the import of several products from China, the world's largest exporter. There was also scandal around Facebook and its network security, which was jeopardised by Cambridge Analytica's use of the personal data of 87 million users. The US company dragged the technology sector in its wake at the end of the quarter. Against this backdrop, Lazard Actions Euro shed -2,82% versus -2,75% for its benchmark, the Euro Stoxx with net dividends reinvested. The fund benefited from a positive selection effect in the financial sector with a rebound for *Intesa Sanpaolo* (+6,6%), a gain for *Deutsche Boerse* (+14,3%), and the absence of *Deutsche Bank* (-28,7%). After fresh rumours of a merger with Nissan, *Renault* (+17,4%) made sharp gains over the quarter, becoming one of the main positive contributors to the relative performance, followed closely by *Nokia* (+15,2%) whose results were welcomed by the market. *Dassault Systemes* (+24,6%) also turned in an excellent performance. However, the portfolio was significantly penalised by the fact that it was not exposed to the oil sector, which saw the Brent price continue to increase, topping \$70 a barrel at the period-end (a performance of +5,1%). It also suffered from a negative selection effect in the healthcare sector with the sharp decline of *Merck* (-13,2%), and the fact that it was unable to benefit from the gains by *Airbus* (+13%) in manufacturing and *ASML* (+10,3%) in information technology.

Lazard Actions Euro closed the second quarter of 2018 up 0,39% compared with an increase of 2,53% for the benchmark index. That period was particularly marked by heightened trade tension between the US and China. The US president had imposed import duties on steel and aluminium in the previous quarter. A series of tit-for-tat measures between the two countries ensued, which fuelled fears of a slowdown in global growth. Investors were also very wary of the unstable political environment in Italy, where two extremist parties led in the general election. The likelihood of an alliance weighed on the markets and on the financial sector in particular. The downward revision to growth forecasts in the Eurozone accentuated the euro's depreciation against the dollar. In terms of the central banks, the Fed introduced another hike in its key interest rate of 25bp, bringing it to a range of 1,75-2,00%. The ECB, for its part, announced the end of its asset purchasing programme from the end of December 2018 and pledged to leave its interest rates unchanged until summer 2019. Against this backdrop, the portfolio suffered mainly from a negative selection effect in the consumer services sector. The declines by *Telenet* (-26,3%), which was already penalised in the previous quarter due to a disappointing dividend, and *Carrefour* (-15,1%) weighed heavily on the performance. In the consumer goods sector, *Renault* (-22,6%), *Continental* (-11%) and *Daimler* (-15,6%) contributed negatively in response to US policy. The fund was also negatively affected by the banking sector, via *Intesa Sanpaolo* (-12,2%) and *Société Générale* (-13,4%), and by the fact that it was absent from the oil sector (the Brent barrel price rose by +13% over the period). It benefited from *SAP* (+18,1%) and *Nokia* (+14,1%) in the information technology sector, *L'Oreal* (+17,5%) in consumer goods, and from the absence of *Deutsche Post* (-18,7%) and *Unicredit* (-14,4%) in manufacturing and finance respectively.

The equity markets fluctuated in line with various uncertainties which arose in recent months. There was particular focus on Italy and its stimulus budget which did not adhere to the public finances budgetary framework set for it by the European Union. Consequently, yields rose sharply and the spread in relation to the Bund swiftly reached 300bp. In relation to the trade war, no agreement was reached between China and the US, while threats by the US president to increase customs duties on all Chinese imports did not help matters. Concerns around growth in China and emerging countries in general were aggravated. The diplomatic crisis between Turkey and the US led to a sharp depreciation in the Turkish lira, sparking fears of contagion to the European banking system. In the meantime, Jérôme Powell announced that the US economy was strong, growth was solid and inflation low and stable, which prompted the Federal Reserve to introduce another interest rate hike, bringing it to a band of 2,00% to 2,25%. Against this backdrop, Lazard Actions Euro closed the fourth quarter of the year with a slight increase of 0,12% versus an increase of 0,57% for the benchmark index. The portfolio suffered mainly from the profit warning by *Continental* (-23,3%) in the consumer goods sector and poor performances by *Anheuser-Busch Inbev* (-13%) and *Heineken* (-5,5%). Having avoided oil stocks, Lazard Actions Euro did not benefit from the rise in the Brent barrel price (+4,13%) while *Total* (+8,2%), one of the biggest weightings in the benchmark index, accounted for one of

the biggest negative contributions to the relative performance. Announcements of strikes at *Ryanair* (-17%) and disappointing results by *Publicis* (-12,7%) also had a negative impact on the fund, but these losses were partly offset by gains by *Carrefour* (+19%) and *Telenet* (+18,5%). The fund also benefited from an excellent selection of stocks in the healthcare sector, with good performances by *UCB* (+14,9%), *Merck* (+6,4%) and *Sanofi* (+11,5%). The portfolio departed from the index due to the presence of *Aperam* (+8,4%) and the absence of *BASF* (-6,5%).

Lazard Actions Euro is PEA-eligible and remained over 90% invested in equities throughout the financial year. *Past performance is no guarantee of future results.*

Main changes in the portfolio during the year

Securities	Changes ("accounting currency")	
	Purchases	Sales
LAZARD EURO SHORT TERM MONEY MARKET	19 974 736,00	19 471 522,20
LAZARD EURO MONEY MARKET	13 814 499,55	11 796 310,98
INTESA SANPAOLO SPA	5 079 537,04	6 560 923,89
WIRECARD AG	295 472,00	5 949 339,27
UNILEVER	3 519 319,00	1 777 061,75
SAP SE	2 516 507,42	2 670 757,50
RYANAIR HOLDINGS PLC	3 916 572,78	727 986,50
DAIMLER AG	2 123 846,23	2 235 972,21
BAYER	1 879 821,86	2 409 692,47
VOEST-ALPINE AG	1 711 341,44	2 573 046,58

• Transparency of securities financing transactions and the reuse of financial instruments – SFTR – in the accounting currency of the UCI (€)

The UCI carried out no transactions during the year in the context of the SFTR.

• **EFFICIENT PORTFOLIO MANAGEMENT TECHNIQUES AND DERIVATIVE FINANCIAL INSTRUMENTS**

a) Exposure through efficient portfolio management techniques and derivative financial instruments

- Exposure through efficient management techniques:
 - **Securities lending:**
 - **Securities borrowing:**
 - **Repurchase agreements:**
 - **Reverse repurchase agreements:**

- Underlying exposure through derivative financial instruments:
 - **Currency forwards:**
 - **Futures:**
 - **Options:**
 - **Swaps:**

b) Identity of the counterparty or counterparties for efficient portfolio management techniques and derivative financial instruments

Efficient portfolio management techniques	Derivative financial instruments (*)

(*) Excluding listed derivatives

c) Financial guarantees received by the UCITS to reduce counterparty risk

Instrument type	Amount in the currency of the portfolio
<p>Efficient portfolio management techniques</p> <ul style="list-style-type: none"> . Term deposits . Equity . Bonds . UCITS . Cash (**) <p style="text-align: center;">Total</p>	
<p>Derivative financial instruments</p> <ul style="list-style-type: none"> . Term deposits . Equity . Bonds . UCITS . Cash <p style="text-align: center;">Total</p>	

(**) The Cash account also includes liquidities from reverse repurchase agreements.

d) Operating income and expenses related to efficient management techniques

Operating income and expenses	Amount in the currency of the portfolio
<ul style="list-style-type: none"> . Income (***) . Other income <p style="text-align: center;">Total income</p> <ul style="list-style-type: none"> . Direct operating expenses . Indirect operating expenses . Other expenses <p style="text-align: center;">Total expenses</p>	

(***) Income on securities lending and repurchase agreements

4. REGULATORY INFORMATION

- **PROCEDURE FOR SELECTING AND ASSESSING INTERMEDIARIES AND COUNTERPARTIES**

The brokers used by the management company are selected on the basis of various evaluation criteria, covering research, quality of order execution and processing and the range of services offered. The management company's "Broker Committee" validates any updates to the list of authorised brokers. Each investment division (fixed income and equities) reports to the Broker Committee at least twice a year on the evaluation of the services provided by the various brokers and the breakdown of the volume of transactions handled.

- **BROKERAGE FEES**

Information about brokerage fees is available on the website www.lazardfreresgestion.fr.

- **EXERCISING VOTING RIGHTS**

The scope and procedures for Lazard Frères Gestion SAS' exercise of the voting rights attached to the securities held in the UCIs managed by it are set out in the guidelines it has drawn up on its voting policy. This document can be consulted on the management company's website: www.lazardfreresgestion.fr.

- **COMMUNICATION OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE CRITERIA**

Lazard Frères Gestion firmly believes that the integration of environmental, social and governance (ESG) criteria in the management of assets provides an additional guarantee in terms of a durable economic performance.

In fact, the long-term performance of investments is not limited solely to adherence to the financial strategy, but must also take the company's interactions with its social, economic and financial environment into account.

The incorporation of ESG criteria therefore is a natural component of our investment process.

Our overall approach can be summarised as follows:

- ✓ Rigorous financial analysis of the company covering the quality of assets, financial soundness, projected cash flows and their reinvestment by the company, the strength of economic profits, profit durability, and quality of management.
- ✓ This durability is strengthened by incorporating extra-financial criteria:
 - Social criteria: through the development of human capital.
 - Environmental criteria: through the prevention of all environmental risks.
 - Governance criteria: by respecting the balance between the managerial and shareholder structures so as to prevent potential conflicts of interest and safeguard the interests of minority shareholders.

The intensity and methods by which we incorporate ESG criteria may vary depending on the asset class and investment process involved, but the common objective is to ensure better apprehension of ESG risks that are likely to have a strong impact on the value of a company or sovereign asset.

Information about ESG criteria is available on the website www.lazardfreresgestion.fr.

- **METHOD USED TO CALCULATE GLOBAL RISK**

The Fund uses the commitment method to calculate its global risk on financial contracts.

- **PEA employee savings fund**

Pursuant to the provisions of Article 91, quater L Appendix 2 of the French General Tax Code, a minimum of 75% of the Fund is permanently invested in the securities and rights mentioned in points a, b and c, section 1°, I of Article L. 221-31 of the French Monetary and Financial Code.

Proportion actually invested during the financial year: 95,79%.

- **REMUNERATION**

The fixed and variable remuneration paid during the financial year ended December 29th, 2017 by the management company to its personnel, pro rata their investment in the management of the UCITS, excluding the management of AIF, is shown below and in the company's annual report. The total variable remuneration is set by the Lazard Group based on different criteria, including the Lazard Group's financial performance over the past year and taking its results into account. The General Management decides on the total remuneration amount that will be split between the fixed and variable components, complying with the policy to maintain a complete separation between the fixed and variable components. All risks are incorporated into the calculation of the variable remuneration. It is then individualised and determined partly based on the performance of each identified member of staff.

Population at 31/12/2017: Fixed-term and open-ended employment contracts at LFG

LFG's headcount at 31/12/2017	Fixed annual remuneration in 2017 in €k	Variable remuneration awarded for 2017 (cash and deferred) in €k
156	13 683	20 029

"Identified employees"

Category	Number of employees	Aggregated fixed and variable remuneration in 2017 (including deferred) in €k
Senior management	3	3 979
Other	42	18 680
Total	45	22 660

- **OTHER INFORMATION**

The UCI's complete prospectus and the most recent annual and interim reports will be sent out within one week of request in writing by shareholders to:

Lazard Frères Gestion SAS
 25, Rue de Courcelles – 75008 Paris,
 France
www.lazardfreresgestion.fr

5. CERTIFICATION BY THE STATUTORY AUDITOR

LAZARD ACTIONS EURO

French open-end investment fund
(*Fonds Commun de Placement* – FCP)
Management Company: Lazard Frères Gestion SAS
25, Rue de Courcelles
75008 Paris, France

STATUTORY AUDITOR'S REPORT ON THE ANNUAL FINANCIAL STATEMENTS

Financial year ended September 28th, 2018

To the Unitholders of FCP LAZARD ACTIONS EURO

Opinion

In accordance with the terms of our appointment by the management company, we conducted our audit of the accompanying annual financial statements of LAZARD ACTIONS EURO, a French open-end investment fund (*fonds commun de placement* - FCP) for the financial year ended September 28th, 2018.

We certify that the annual financial statements provide a true and fair view of the results of operations for the financial year under review and of the financial position and assets and liabilities of the Fund at the end of said financial year, in accordance with the accounting rules and principles generally accepted in France.

Opinion on the annual financial statements

Audit standards

We conducted our audit in accordance with the professional standards applicable in France. We believe that our audit has provided us with sufficient relevant information on which to base our opinion.

Our responsibilities under these standards are set out in the section entitled "*Statutory auditor's responsibilities concerning the audit of the financial statements*" in this report.

Independence

We conducted our audit in accordance with the rules of independence applicable to us on the period from September 30th, 2017 to the date of issue of our report, and in particular we have not provided any services prohibited by the French code of ethics for statutory auditors.

Basis of our opinion

In accordance with the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you that the most important assessments we carried out, in our professional judgement, focused on the appropriateness of the accounting principles applied, notably with regard to the financial instruments in the portfolio, and the presentation of all of the financial statements in accordance with the chart of accounts for open-end collective investment undertakings.

The assessments we have made are part of our audit of the annual financial statements as a whole and the opinion expressed above. We express no opinion on the elements of the annual financial statements taken in isolation.

Verification of the management report prepared by the management company

We have also performed, in accordance with applicable professional standards in France, the specific verifications required by law.

We have no matters to report regarding the true and fair presentation of the information provided in the management report prepared by the management company, or its consistency with the annual financial statements.

Responsibilities of the management company concerning the annual financial statements

It is the management company's role to draw up annual financial statements that give a fair and true picture in accordance with French accounting rules and principles and to implement the necessary internal control to be able to provide reasonable assurance that they are free from material misstatement, whether due to fraud or error.

As part of the preparation of the annual financial statements, the management company is responsible for assessing the Fund's capacity to continue operating as a going concern, to present in its financial statements, where necessary, information concerning business continuity, and to apply the accounting conventions of a going concern, unless it is planned to liquidate the Fund or terminate its activity.

The management company is responsible for the preparation of the annual financial statements.

Statutory auditor's responsibilities concerning the audit of the annual financial statements

Our role is to prepare a report on the annual financial statements and to obtain reasonable assurance that the annual financial statements as a whole are free of material misstatements. Reasonable assurance means a high but not absolute level of assurance that an audit performed in accordance with professional standards is free of material misstatement. Anomalies may stem from fraud or errors and are considered material when it can reasonably be expected that, taken individually or together, they could influence the economic decisions of users of the financial statements.

As stipulated in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our audit assignment does not consist in guaranteeing the viability or quality of the management of the Fund.

In the context of an audit performed in accordance with professional standards applicable in France, the statutory auditor must exercise its judgement throughout the course of the audit. Moreover:

- it identifies and assess the risks that the annual financial statements may contain material misstatements, whether from fraud or error, defines and implements audit procedures to resolve these risks, and collects all elements deemed necessary and appropriate in order to give its opinion. The risk of failure to detect a material misstatement resulting from fraud is higher than that resulting from an error because fraud may involve collusion, falsification, deliberate omissions, false statements or by-passing of internal controls;
- it takes due note of the internal control relevant to the audit in order to define audit procedures that are appropriate to the circumstances, and not with a view to expressing an opinion on the efficiency of the internal control;
- it assesses the appropriateness of the accounting methods used and the reasonable nature of the accounting estimates made by the management company, and the related information provided in the annual financial statements;
- it assesses the appropriateness of the management company's application of the accounting policy for a going concern and, based on the information collected, whether there is a significant uncertainty linked to events or circumstances that is likely to call into question the Fund's capacity to continue operating as a going concern. This assessment is based on the information collected up to the date of the report, bearing in mind nevertheless that subsequent circumstances or events could jeopardise the continuity of operation. If the statutory auditor observes the existence of a material uncertainty, it shall draw the attention of the readers of its report to the information provided in the annual financial statements on the subject of this uncertainty, or if this information has not been provided or is not relevant, it shall attach reservations to its certification or shall refuse to certify the accounts;

- it assesses the overall presentation of the annual financial statements and whether they provide a true picture of the underlying operations and events.

Paris La Défense, January 10th, 2019

Le Commissaire aux Comptes
Deloitte & Associés



Olivier GALIENNE

6. ANNUAL FINANCIAL STATEMENTS

- BALANCE SHEET in euros**

ASSETS

	28/09/2018	29/09/2017
Net non-current assets		
Deposits		
Financial instruments	219 552 927,17	259 547 760,67
Equities and similar securities	214 593 306,83	257 203 201,67
Traded on a regulated or equivalent market	214 593 306,83	257 203 201,67
Not traded on a regulated or equivalent market		
Bonds and similar securities		
Traded on a regulated or equivalent market		
Not traded on a regulated or equivalent market		
Debt securities		
Traded on a regulated or equivalent market		
Negotiable debt securities		
Other debt securities		
Not traded on a regulated or equivalent market		
Undertakings for collective investment	4 959 620,34	2 344 559,00
General UCITS and general AIFs aimed at non-professionals and their equivalent in other countries	4 959 620,34	2 344 559,00
Other funds aimed at non-professionals and their equivalent in other countries that are Member States of the EU		
General funds aimed at professional investors and their equivalent in other Member States of the EU and listed securitisation entities		
Other funds aimed at professional investors and their equivalent in other Member States of the EU and unlisted securitisation entities		
Other non-European entities		
Temporary securities transactions		
Receivables on securities purchased under repurchase agreements		
Receivables on loaned securities		
Borrowed securities		
Securities sold under repurchase agreements		
Other temporary transactions		
Forward financial instruments		
Transactions on a regulated or equivalent market		
Other transactions		
Other financial instruments	9 837,12	15 461,29
Receivables		
Currency forward exchange transactions	9 837,12	15 461,29
Other	1 159 804,95	15 411,22
Financial accounts	1 159 804,95	15 411,22
Total assets	220 722 569,24	259 578 633,18

LIABILITIES AND SHAREHOLDERS' EQUITY

	28/09/2018	29/09/2017
Shareholders' equity		
Capital	198 591 898,31	236 002 085,99
Undistributed net capital gains and losses recognised in previous years (a) Retained earnings (a)	6 092 637,58	2 319 302,02
Net capital gains and losses for the year (a, b)	2 425,88	1 831,40
Net income for the year (a, b)	11 133 288,47	18 076 554,86
Net income for the year (a, b)	3 897 078,02	3 170 941,96
Total shareholders' equity (= amount representing net assets)	219 717 328,26	259 570 716,23
Financial instruments		
Sales of financial instruments		
Temporary securities transactions		
Liabilities on securities sold under repurchase agreements		
Liabilities on borrowed securities		
Other temporary transactions		
Forward financial instruments		
Transactions on a regulated or equivalent market		
Other transactions		
Liabilities	1 005 240,98	7 916,95
Currency forward exchange transactions		
Other	1 005 240,98	7 916,95
Financial accounts		
Bank overdrafts		
Borrowings		
Total liabilities and shareholders' equity	220 722 569,24	259 578 633,18

(a) Including accrued income

(b) Less interim dividends paid for the financial year

- **OFF-BALANCE SHEET ITEMS in euros**

	28/09/2018	29/09/2017
Hedging transactions		
Commitments on regulated or similar markets		
Commitments on OTC markets		
Other commitments		
Other operations		
Commitments on regulated or similar markets		
Commitments on OTC markets		
Other commitments		

• **INCOME STATEMENT in euros**

	28/09/2018	29/09/2017
Income from financial transactions		
Income from deposits and financial accounts		
Income from equities and similar securities	148,62	
Income from bonds and similar securities	7 092 612,21	4 936 603,23
Income from debt securities		
Income from temporary purchases and sales of financial securities		
Income from forward financial instruments		
Other financial income		
Total (1)	7 092 760,83	4 936 603,23
Expenses related to financial transactions		
Charges on temporary purchases and sales of financial securities		
Charges on forward financial instruments		
Expenses related to financial liabilities		
Other financial charges		
Total (2)		
Income from financial transactions (1 - 2)	7 092 760,83	4 936 603,23
Other income (3)		
Management fees and depreciation and amortisation (4)	2 741 700,12	2 420 383,80
Net income for the financial year (L. 214-17-1) (1 - 2 + 3 - 4)	4 351 060,71	2 516 219,43
Revenue adjustment for the financial year (5)	-453 982,69	654 722,53
Interim dividends paid on net income for the financial year (6)		
Net income (1 - 2 + 3 - 4 + 5 - 6)	3 897 078,02	3 170 941,96

ACCOUNTING RULES AND PRINCIPLES

The annual financial statements are presented in accordance with French accounting regulation ANC 2017-05 which amends ANC regulation 2014-01 on the chart of accounts for open-end collective investment undertakings.

The general accounting principles are applicable:

- true and fair view, comparability, business continuity,
- regularity, sincerity,
- prudence,
- permanence of the accounting methods used each year.

Income from fixed-income securities is recorded on the basis of accrued interest.

Purchases and sales of securities are recorded excluding expenses. The accounting currency of the portfolio is the euro. The financial year comprises 12 months.

Asset valuation rules

Financial instruments and securities traded on a regulated market are valued at their market price.

○ **Shares and similar securities** are valued on the basis of the last known price on their main market. If applicable, prices are translated into euros using the exchange rate prevailing in Paris on the valuation day (as published by WM Closing).

○ **Fixed-income securities:**

Fixed-income securities are for the most part marked to market based on either Bloomberg prices (BGN)[®] derived from averages of contributed prices, or on those of direct contributors.

There may be a discrepancy between the carrying amounts, valued as indicated above, and the actual disposal prices that would be obtained if a portion of these portfolio assets were to be sold.

○ **Bonds and similar instruments** are valued on the basis of the average of the closing prices gathered from several contributors.

Financial instruments whose prices have not been determined on the valuation day or whose prices have been adjusted are valued at their probable trading price under the responsibility of the management company of the Fund.

These estimates and their supporting documentation will be provided to the statutory auditor during audits.

Similarly, valuations based partly on Bloomberg prices derived from averages of contributed prices may not reflect the reality of the market when the transactions are carried out.

However, the following instruments are valued using the following specific methods:

○ **Negotiable debt securities:**

- **Negotiable debt securities with a residual maturity of more than three months:**

Negotiable debt securities traded in large volumes are valued at market price.

In the absence of significant trading volumes, these securities are valued using an actuarial method, with a benchmark rate plus, where applicable, a margin representative of the issuer's intrinsic features.

Benchmark rate	
Negotiable debt securities in euros	Negotiable debt securities in other
Euribor, OISs and BTFs - 3 - 6 - 9 - 12 months BTANs - 18 months, 2 – 3 – 4 – 5 years	Official key rates in the relevant countries

- **Negotiable debt securities with a residual maturity of three months or less:**

Negotiable debt securities with a residual maturity of three months or less are valued using the straight-line method. However, this method would not be applied if any of these securities were particularly sensitive to market movements.

o **UCIs:**

Units or shares of UCIs are valued at the last known net asset value.

Units or shares of UCIs for which net asset values are published monthly may be valued on the basis of interim net asset values calculated from estimated prices.

o **Temporary purchases and sales of securities:**

Securities purchased under repurchase agreements are valued at their contract price using an actuarial method with a benchmark rate (overnight EONIA, one- or two-week interbank rates, one- to 12-month EURIBOR) corresponding to the term of the contract.

Securities sold under repurchase agreements continue to be valued at their market price. Liabilities on securities sold under repurchase agreements are calculated using the same method as that used for securities purchased under repurchase agreements.

o **Futures and options:**

Futures and options are valued on the basis of intraday trading prices the timing of which is based on that of the valuation of the underlying assets.

➤ **Financial instruments and securities not traded on a regulated market**

All of the UCI's financial instruments are traded on regulated markets.

➤ **Valuation methods for off-balance sheet commitments**

Off-balance sheet transactions are valued at the commitment value.

The commitment value for futures contracts is equal to the price (in the Fund's currency) multiplied by the number of contracts multiplied by the face value.

The commitment value for options is equal to the price of the underlying security (in the Fund's currency) multiplied by the number of contracts multiplied by the delta multiplied by the face value of the underlying security.

The commitment value for swaps is equal to the face value of the contract (in the Fund's currency).

Management fees

Management fees are calculated on each valuation day.

The annual management fee rate is applied to gross assets (equal to net assets before deduction of the day's management fees) less UCIs managed by Lazard Frères Gestion SAS using the following formula:

Gross assets x operating and management fees rate x number of days between the NAV calculation date and the previous NAV calculation date

365 (or 366 in a leap year)

This amount is then recorded in the Fund's income statement and paid in full to the management company. The management company pays the Fund's operating fees including for:

- financial management;
- administration and accounting;
- custody services;
- other operating fees:
- statutory auditors' fees;
- legal notices (Balo, Petites Affiches, etc.) if applicable. These fees do not include transaction charges.

The fees break down as follows, as set out in the regulations:

Expenses charged to the Fund	Basis	Rate		
Financial management fees	Net assets	IC units: Maximum 1,08% incl. taxes ID units: Maximum 1,08% incl. taxes R units: Maximum 1,73% incl. taxes S units: Maximum 0,65% incl. taxes T units: Maximum 1,08% incl. taxes		
Administrative fees external to the management company	Net assets	IC, ID, S, T and R units: Maximum 0,02% incl. taxes		
Turnover commission (incl. taxes): (0 to 100% received by the management company and 0 to 100% received by the custodian)	Maximum charge on each transaction	French equities	Up to €100 000	0,48%
			From €100 001 to €200 000	0,31%
			From €200 001 to €300 000	0,24%
			Over €300 000	0,17%
		Eurozone equities excluding France	Up to €100 000	0,98%
			From €100 001 to €200 000	0,58%
			From €200 001 to €300 000	0,45%
			Over €300 000	0,31%
Fixed-income instruments	None			
Futures and other transactions	From 0 to €450 incl. tax per			
Performance fee	Net assets	15% of annual performance above the Euro Stoxx index (net dividends reinvested)*		

The method used to calculate retrocession amounts is set out in the sales and marketing agreements.

- If the amount is significant, a provision is recognised in account 617.
- The final amount is recognised upon settlement of invoices after reversal of any provisions.

* Calculation of the performance fee:

Performance fees are calculated using a high water mark system based on a comparison of the performance of the S units of the Fund's assets (excluding variable management fees) with the assets of a benchmark fund:

- with a baseline value equal to the value of the Fund's S units at the close of the last year to date in which performance fees were charged;
- and with a daily performance equal to that of the Euro Stoxx (net dividends reinvested) in euros and registering the same variations in subscriptions and redemptions as the Fund's S units.

If, at the close of the financial year, the assets of the Fund's S units (excluding variable management fees) exceed those of the benchmark fund, a performance fee will be charged equal to 15% (including taxes) of the difference in value between the assets of the Fund's S units and the benchmark fund.

The performance fee will first be deducted after a period of 12 months or more.

Performance fees are accrued on each NAV calculation date and are levied with effect from the closing date of each financial year.

A provision reversal will be recognised whenever the difference between the two assets decreases. If the Fund underperforms, i.e. if the asset value of the S units is lower than that of the benchmark fund, the provision will be reversed up to the full amount of the existing allocation, excluding variable management fees earned.

The provisions in existence at the end of the financial year, and the portion of the fee deriving from purchases of units during the financial year, will be paid to the management company.

Allocation of distributable income

Definition of distributable income:

Distributable income consists of:

Net income:

Net income for the financial year is equal to the amount of interest, arrears, bonuses and prizes, dividends, directors' fees and all other income generated by the securities that make up the portfolio, plus income generated by temporary cash holdings, minus the amount of management fees and borrowing costs. Retained earnings are added, plus or minus the balance of the revenue adjustment account.

Capital gains and losses:

Realised capital gains, net of expenses, less realised capital losses, net of expenses, recognised for the financial year, plus any net capital gains of the same kind recognised over previous years that have not been distributed or accumulated, plus or minus the balance of the capital gains adjustment account.

Allocation of distributable income:

<i>Distributable income</i>	<i>IC, S units</i>	<i>ID units</i>	<i>R, T units</i>
Allocation of net income	Accumulation	distribution	accumulation and/or distribution and/or retention
Allocation of net realised capital gains or losses	Accumulation	accumulation and/or distribution and/or retention	accumulation and/or distribution and/or retention

• **CHANGE IN NET ASSETS in euros**

	28/09/2018	29/09/2017
Net assets at start of year	259 570 716,22	190 531 319,41
Subscriptions (including subscription fees retained by the Fund)	101 931 531,21	131 689 021,91
Redemptions (net of redemption fees retained by the Fund)	-131 949 657,27	-104 701 558,04
Realised capital gains on deposits and financial instruments	15,448,247,46	20,936,797,11
Realised capital losses on deposits and financial instruments	-1,900,219,46	-2,231,999,28
Realised capital gains on forward financial instruments		
Realised capital losses on forward financial instruments		
Transaction fees	-1,344,221,77	-2,137,170,66
Exchange rate differences	118,855,74	
Changes in valuation difference of deposits and financial instruments	-26,102,837,00	23,530,366,79
Valuation difference for financial year N	6,355,391,44	32,458,228,44
Valuation difference for financial year N-1	-32,458,228,44	-8,927,861,65
Changes in valuation difference of forward financial instruments		
Valuation difference for financial year N		
Valuation difference for financial year N-1		
Distribution of prior year's net capital gains and losses		
Dividends paid in the previous financial year	-406,147,58	-562,280,45
Net profit/loss for the financial year prior to income adjustment	4 351 060,71	2 516 219,43
Interim dividend(s) paid on net capital gains/losses during the financial year		
Interim dividend(s) paid on net income during the financial year		
Other items		
Net assets at end of year	219,717,328,26	259 570 716,22

• **BREAKDOWN OF FINANCIAL INSTRUMENTS BY LEGAL OR ECONOMIC STATUS**

	Amount:	%
Assets		
Bonds and similar securities		
Bonds and similar securities		
TOTAL Bonds and similar securities		
Debt securities		
Debt securities		
TOTAL Debt securities		
Liabilities		
Sales of financial instruments		
Equities and similar securities		
TOTAL Sales of financial instruments		
Off-balance sheet items		
Hedging transactions		
Equity		
TOTAL Hedging transactions		
Other transactions		
Equity		
TOTAL Other transactions		

• **BREAKDOWN OF ASSET, LIABILITY AND OFF-BALANCE SHEET ITEMS BY INTEREST RATE TYPE**

	Fixed rate	%	Variable rate	%	Revisable rate	%	Other	%
Assets								
Deposits								
Bonds and similar securities								
Debt securities Temporary securities transactions								
Financial accounts								
Liabilities							1,159,804,95	0.53
Temporary securities transactions								
Financial accounts								
Off-balance sheet items								
Hedging transactions								
Other transactions								

- BREAKDOWN OF ASSET, LIABILITY AND OFF-BALANCE SHEET ITEMS BY RESIDUAL MATURITY**

	< 3 months	%] 3 months-1 year]	%	1-3 years	%	3-5 years	%	> 5 years	%
Assets										
Deposits										
Bonds and similar securities										
Debt securities Temporary securities transactions										
Financial accounts										
Liabilities	1,159,804,95	0,53								
Temporary securities transactions										
Financial accounts										
Off-balance sheet items										
Hedging transactions										
Other transactions										

Forward interest rate positions are presented according to the maturity of the underlying.

- BREAKDOWN OF ASSET, LIABILITY AND OFF-BALANCE SHEET ITEMS BY LISTING OR VALUATION CURRENCY**

							Other currencies	
	Amount:	%	Amount:	%	Amount:	%	Amount:	%
Assets								
Deposits								
Equities and similar securities								
Bonds and similar securities								
Debt securities								
UCIs								
Temporary securities transactions								
Receivables								
Financial accounts								
Liabilities								
Sales of financial instruments								
Temporary securities transactions								
Financial accounts								
Off-balance sheet items								
Hedging transactions								
Other transactions								

- RECEIVABLES AND PAYABLES: BREAKDOWN BY TYPE**

	Debit/credit item	28/09/2018
Receivables	Subscription receivables	9,837,12
Total receivables		9,837,12
Liabilities	Redemptions payable	808,209,76
	Management fees	197,031,22
Total liabilities		1,005,240,98

- **NUMBER OF SECURITIES ISSUED OR REDEEMED**

	In units	In amounts
IC units		
Units subscribed during the financial year	68,266,490	46,861,673,33
Units redeemed during the financial year	-127,328,802	-87,327,461,11
Net balance of subscriptions/redemptions	-59,062,312	-40,465,787,78
S units		
Units subscribed during the financial year	1,000	10,000,00
Units redeemed during the financial year		
Net balance of subscriptions/redemptions	1,000	10,000,00
ID units		
Units subscribed during the financial year	387,502,903	51,349,909,71
Units redeemed during the financial year	-307,598,435	-40,685,237,04
Net balance of subscriptions/redemptions	79,904,468	10,664,672,67
T units		
Units subscribed during the financial year	756,053	378,026,50
Units redeemed during the financial year	-38,044	-17,980,24
Net balance of subscriptions/redemptions	718,009	360,046,26
R units		
Units subscribed during the financial year	2,817,056	3,331,921,67
Units redeemed during the financial year	-3,424,546	-3,918,978,88
Net balance of subscriptions/redemptions	-607,490	-587,057,21

- **SUBSCRIPTION AND/OR REDEMPTION FEES**

	In amounts
IC units	
Redemption fees retained	
Subscription fees retained	
Total fees retained	
S units	
Redemption fees retained	
Subscription fees retained	
Total fees retained	
ID units	
Redemption fees retained	
Subscription fees retained	
Total fees retained	
T units	
Redemption fees retained	
Subscription fees retained	
Total fees retained	
R units	
Redemption fees retained	
Subscription fees retained	
Total fees retained	

- MANAGEMENT FEES**

	28/09/2018
S units	
Guarantee fees	
Fixed management fees	44,88
Percentage of fixed management fees	0,63
Variable management fees	
Retrocessions of management fees	
IC units	
Guarantee fees	
Fixed management fees	2,187,948,05
Percentage of fixed management fees	1,10
Variable management fees	
Retrocessions of management fees	
T units	
Guarantee fees	
Fixed management fees	2,540,87
Percentage of fixed management fees	1,10
Variable management fees	
Retrocessions of management fees	
ID units	
Guarantee fees	
Fixed management fees	394,517,05
Percentage of fixed management fees	1,10
Variable management fees	
Retrocessions of management fees	
R units	
Guarantee fees	
Fixed management fees	156,649,27
Percentage of fixed management fees	1,75
Variable management fees	
Retrocessions of management fees	

- COMMITMENTS RECEIVED AND GIVEN**

Guarantees received by the Fund:

None.

Other commitments received and/or given:

None.

- **PRESENT VALUE OF SECURITIES HELD TEMPORARILY**

	28/09/2018
Securities held under repurchase agreements	

- **PRESENT VALUE OF SECURITIES REPRESENTING SECURITY DEPOSITS**

	28/09/2018
Financial instruments given as security and retained under their original classification	
Financial instruments received as security and not recorded on the balance sheet	

- **GROUP FINANCIAL INSTRUMENTS HELD IN THE PORTFOLIO**

	ISIN code	Description	28/09/2018
Equities			
Bonds			
NDS			
UCIs			4,959,620,34
	FR0010941815	LAZARD EURO MONEY MARKET	2,014,833,94
	FR0011291657	LAZARD EURO SHORT TERM MONEY MARKET	500,120,00
	FR0013301389	LAZARD EUROPEAN INNOVATION PART E	2,444,666,40
Forward financial instruments			

• TABLE OF ALLOCATION OF DISTRIBUTABLE INCOME PERTAINING TO NET INCOME

	28/09/2018	29/09/2017
Remaining amounts to be allocated		
Retained earnings	2,425,88	1,626,08
Net income	3,897,078,02	3,170,941,96
Total	3,899,503,90	3,172,773,36

	28/09/2018	29/09/2017
S units		
Appropriation		
Distribution		
Balance brought forward for the financial year		
Accumulation	207,57	
Total	207,57	

	28/09/2018	29/09/2017
IC units		
Appropriation		
Distribution		
Balance brought forward for the financial year		
Accumulation	3 055 172,71	2 703 460,42
Total	3 055 172,71	2,703,460,42

	28/09/2018	29/09/2017
ID units		
Appropriation		
Distribution	743,404,31	406,147,58
Balance brought forward for the financial year	640,85	1,831,40
Accumulation		
Total	744,045,16	407,978,98
Information on units with dividend rights		
Number of units	326,054,522	246,150,054
Dividend per share	2,28	1,65
Tax credits		
Tax credit attached to the distribution of earnings	110,182,07	

	28/09/2018	29/09/2017
T units		
Appropriation		
Distribution		
Balance brought forward for the financial year		
Accumulation	6,337,64	
Total	6 337,64	

	28/09/2018	29/09/2017
R units		
Appropriation		
Distribution		
Balance brought forward for the financial year		
Accumulation	93 740,82	61 128,64
Total	93 740,82	61 128,64

• **TABLE OF ALLOCATION OF DISTRIBUTABLE INCOME
PERTAINING TO NET CAPITAL GAINS AND LOSSES**

	28/09/2018	29/09/2017
Remaining amounts to be allocated		
Undistributed net capital gains and losses recognised in previous years	6,092,637,58	2,319,302,02
Net capital gains and losses for the year	11,133,288,47	18,076,554,86
Interim dividends paid on net capital gains/losses for the financial year		
Total	17,225,926,05	20,395,856,88

	28/09/2018	29/09/2017
IC units		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	8,607,186,92	15,146,337,97
Total	8,607,186,92	15,146,337,97

	28/09/2018	29/09/2017
S units		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	266,84	
Total	266,84	

	28/09/2018	29/09/2017
T units		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	8,705,52	
Total	8,705,52	

	28/09/2018	29/09/2017
ID units		
Appropriation		
Distribution		
Undistributed net capital gains and losses		4,599,546,92
Accumulation	8,190,986,46	
Total	8,190,986,46	

	28/09/2018	29/09/2017
R units		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	418,780,31	649,971,99
Total	418,780,31	649,971,99

• **TABLE OF THE ENTITY'S INCOME AND OTHER SIGNIFICANT ITEMS OVER THE PAST FIVE FINANCIAL YEARS**

	30/09/2014	30/09/2015	30/09/2016	29/09/2017	28/09/2018
Global net assets in euros	183,537,205,88	220,433,352,24	190,531,319,41	259,570,716,22	219,717,328,26
LAZARD ACTIONS EURO S units					
Net assets in euros					9,640,84
Number of shares					1,000
Net asset value per share in euros					9,640,84
Accumulation per share pertaining to net capital gains/losses in euros					266,84
Accumulation per share pertaining to net income in euros					207,57
LAZARD ACTIONS EURO IC					
Net assets in euros	158,603,701,14	179,338,573,94	156,002,459,69	217,494,334,86	169,902,389,60
Number of shares	306,327,000	325,927,875	277,137,887	313,340,878	254,278,566
Net asset value per share in euros	517,75	550,24	562,90	694,11	668,17
Accumulation per share pertaining to net capital gains/losses in euros	31,27	36,00	17,32	48,33	33,84
Accumulation per share pertaining to net income in euros	7,86	8,06	9,87	8,62	12,01
LAZARD ACTIONS EURO T units					
Net assets in euros					337,626,80
Number of shares					718,009
Net asset value per share in euros					470,22
Accumulation per share pertaining to net capital gains/losses in euros					12,12
Accumulation per share pertaining to net income in euros					8,82
LAZARD ACTIONS EURO ID					
Net assets in euros	22,902,502,67	32,728,069,73	32,676,349,47	32,743,251,52	41,235,129,84
Number of shares	217,410,000	298,043,000	297,914,403	246,150,054	326,054,522
Net asset value per share in euros	105,34	109,80	109,68	133,02	126,46
Distribution per share pertaining to net capital gains/losses in euros		1,14			
Accumulation per share pertaining to net capital gains/losses in euros	6,36				25,12
Distribution per share pertaining to net income in euros	1,94	1,60	1,92	1,65	2,28
Retained earnings per share pertaining to net income in euros					
Tax credit per share in euros					*

* * Tax credit per share will only be calculated on the distribution date, in accordance with applicable tax regulations.

- **TABLE OF THE ENTITY'S INCOME AND OTHER SIGNIFICANT ITEMS OVER THE PAST FIVE FINANCIAL YEARS**

	30/09/2014	30/09/2015	30/09/2016	29/09/2017	28/09/2018
Global net assets in euros	183,537,205,88	220,433,352,24	190,531,319,41	259,570,716,22	219,717,328,26
LAZARD ACTIONS EURO "R"					
Net assets in euros	2,031,002,07	8,366,708,57	1,852,510,25	9,333,129,84	8,232,541,18
Number of shares	2,237,000	8,727,182	1,901,065	7,817,008	7,209,518
Net asset value per share in euros	907,91	958,69	974,45	1,193,95	1,141,89
Accumulation per share pertaining to net capital gains/losses in euros	54,84	62,72	29,99	83,14	58,08
Accumulation per share pertaining to net income in euros	8,07	7,55	10,82	7,82	13,00

* * Tax credit per share will only be calculated on the distribution date, in accordance with applicable tax regulations.

- **INVENTORY in euros**

Description of security	Currency	Quantity in number or face value	Present value	% Net assets
Equities and similar securities				
Equities and similar securities traded on a regulated or similar market				
GERMANY				
ALLIANZ SE	€	32,150	6,172,800.00	2.81
BAYER	€	45,252	3,462,230.52	1.58
CONTINENTAL AG O.N.	€	17,500	2,624,125.00	1.19
DAIMLER AG	€	79,450	4,318,107.50	1.97
DEUTSCHE BOERSE AG	€	32 226	3,718,880.40	1.69
DEUTSCHE TELEKOM AG	€	380 050	5,276,994.25	2.40
HENKEL AG AND CO.KGAA NON VTG PRF	€	27,600	2,788,980.00	1.27
MERCK KGA	€	55 950	4,979,550.00	2.27
MUENCHENER RUECKVERSICHERUNG AG	€	20,500	3,910,375.00	1.78
SAP SE	€	86,850	9,206,100.00	4.18
SIEMENS AG-REG	€	51,950	5,732,163.00	2.61
TOTAL GERMANY			52,190,305.67	23.75
AUSTRIA				
VOEST-ALPINE AG	€	73,450	2,893,930.00	1.32
TOTAL AUSTRIA			2,893,930.00	1.32
BELGIUM				
ANHEUSER BUSCH INBEV SANV	€	66,800	5,024,696.00	2.28
KBC GROUPE	€	46,550	2,983,855.00	1.36
TELENET GROUP HOLDING	€	61,050	2,894,991.00	1.32
UNION CHIMIQUE BELGE/ UCB	€	50,109	3,878,436.60	1.77
TOTAL BELGIUM			14,781,978.60	6.73
SPAIN				
BANCO SANTANDER S.A.	€	1 044 150	4,526,912.33	2.07
ENAGAS SA	€	113,850	2,647,012.50	1.20
FERROVIAL	€	182 150	3,255,020.50	1.48
TOTAL SPAIN			10,428,945.33	4.75
FINLAND				
NOKIA (AB) OYJ	€	577,850	2,760,389.45	1.26
SAMPO OYJ A	€	75,000	3,345,000.00	1.52
TOTAL FINLAND			6,105,389.45	2.78
FRANCE				
AIR LIQUIDE	€	47,950	5,432,735.00	2.47
AIR LIQUIDE PRIME DE FIDELITE	€	2	226.60	
ALSTOM	€	93,749	3,608,399.01	1.64
AMUNDI	€	40,787	2,632,392.98	1.20
ATOS	€	24 400	2,501,000.00	1.14
AXA	€	222 250	5,145,087.50	2.34
BNP PARIBAS	€	82 700	4,359,117.00	1.98
BUREAU VERITAS	€	125 500	2,789,865.00	1.27

CARREFOUR	€	199 850	3,297,525.00	1.50
COFACE	€	269 692	2,203,383.64	1.00
DASSAULT SYSTEMES	€	33 862	4,359,732.50	1.98
EIFPAGE	€	41 000	3,942,560.00	1.79
IMERYS EX IMETAL	€	39 950	2,540,820.00	1.16
LEGRAND SA HOLDING	€	43 350	2,721,513.00	1.24
L'OREAL	€	22,200	4,610,940.00	2.10
L'OREAL PRIME DE FIDELITE	€	1	207.70	
LVMH (LOUIS VUITTON - MOET HENNESSY)	€	20 250	6,168,150.00	2.81
ORANGE	€	321,500	4,415,802.50	2.01
PUBLICIS GROUPE SA	€	94,200	4,849,416.00	2.21
RENAULT SA	€	41 500	3,091,750.00	1.41
REXEL SA	€	200 200	2,589,587.00	1.18
SAINT-GOBAIN	€	114 350	4,247,530.75	1.93
SANOFI	€	94 700	7,250,232.00	3.30
SCHNEIDER ELECTRIC SA	€	44 500	3,083,850.00	1.40
SOCIETE GENERALE SA	€	105 400	3,896,638.00	1.77
TOTAL FRANCE			89,738,461.18	40.83
IRELAND				
KERRY GROUP	€	40,500	3,857,625.00	1.76
RYANAIR HOLDINGS PLC	€	196,100	2,572,832.00	1.17
TOTAL IRELAND			6,430,457.00	2.93
ITALY				
INTESA SANPAOLO SPA	€	1,403,100	3,088,223.10	1.41
LUXOTTICA GROUP	€	50 700	2,966,964.00	1.35
TOTAL ITALY			6,055,187.10	2.76
LUXEMBOURG				
APERAM	€	86 850	3,429,706.50	1.56
TOTAL LUXEMBOURG			3,429,706.50	1.56
NETHERLANDS				
AKZO NOBEL	€	51 400	4,139,756.00	1.88
HEINEKEN	€	55 400	4,474,104.00	2.04
ING GROEP NV	€	392 500	4,389,720.00	2.00
UNILEVER	€	132 800	6,369,752.00	2.90
TOTAL NETHERLANDS			19,373,332.00	8.82
SWITZERLAND				
LAFARGEHOLCIM LTD	€	74,450	3,165,614.00	1.44
TOTAL SWITZERLAND			3,165,614.00	1.44
TOTAL Equities and similar securities traded on regulated or similar markets			214,593,306.83	97.67
TOTAL Equities and similar securities			214,593,306.83	97.67
Undertakings for collective investment				
General UCITS and general AIFs aimed at non-professionals and their equivalent in other countries				
FRANCE				
LAZARD EURO MONEY MARKET	€	1.956	2,014,833.94	0.92
LAZARD EURO SHORT TERM MONEY MARKET	€	250	500,120.00	0.23
LAZARD EUROPEAN INNOVATION PART E	€	240	2,444,666.40	1.11

TOTAL FRANCE			4,959,620.34	2.26
TOTAL general UCITS and general AIFs aimed at non-professionals and their equivalent in other countries			4,959,620.34	2.26
TOTAL Undertakings for collective investment			4,959,620.34	2.26
Receivables			9,837.12	
Liabilities			-1,005,240.98	-0.46
Financial accounts			1,159,804.95	0.53
Net assets			219,717,328.26	100.00

LAZARD ACTIONS EURO S Units	€	1.000	9,640.84
LAZARD ACTIONS EURO IC	€	254,278.566	668.17
LAZARD ACTIONS EURO "R"	€	7,209.518	1,141.89
LAZARD ACTIONS EURO T Units	€	718.009	470.22
LAZARD ACTIONS EURO ID	€	326,054.522	126.46

- **ADDITIONAL INFORMATION ON THE TAX REGIME APPLICABLE TO INTEREST PAYMENTS**

BREAKDOWN OF INTEREST: ID

	NET OVERALL	CURRENCY	NET PER SHARE	CURRENCY
Revenue subject to non-definitive withholding tax				
Equities eligible for a tax allowance and subject to non-definitive withholding tax	743 404,31	€	2,28	€
Other income not eligible for a tax allowance and subject to non-definitive withholding tax				
Non-declarable and non-taxable income				
Amounts paid out in relation to capital gains and losses				
TOTAL	743 404,31	€	2,28	€